

IOWA FINANCE AUTHORITY[265]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to the authority of Iowa Code sections 17A.3(1)“b,” 16.5(1)“r” and 16.5(1)“m,” the Iowa Finance Authority proposes to amend Chapter 39, “HOME Partnership Program,” Iowa Administrative Code.

The purpose of these amendments is to accommodate changes in proposed federal regulations that are anticipated to be effective by the end of the calendar year.

The Authority does not intend to grant waivers under the provisions of these rules, other than as may be allowed under the Authority’s general rules concerning waivers.

The Authority will receive written comments on the proposed amendments until 4:30 p.m. on September 11, 2012. Comments may be addressed to Carolann Jensen, Iowa Finance Authority, 2015 Grand Avenue, Des Moines, Iowa 50312. Comments may also be faxed to Carolann Jensen at (515)725-4901 or e-mailed to carolann.jensen@iowa.gov.

The Authority anticipates that it may make changes to the proposed amendments based on comments received from the public.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code section 16.5(1)“m” and 42 U.S.C. Sections 12701 et seq.

The following amendments are proposed.

ITEM 1. Amend **265—Chapter 39**, title, as follows:

HOME PARTNERSHIP INVESTMENT PARTNERSHIPS PROGRAM

ITEM 2. Amend rule 265—39.1(16) as follows:

265—39.1(16) Purpose. The primary purpose of the HOME ~~partnership~~ investment partnerships program is to expand or retain the supply of decent and affordable housing for low- and moderate-income Iowans.

ITEM 3. Adopt the following new definitions of “Contract,” “Multifamily housing,” “Period of affordability,” “Project” and “Project completion” in rule **265—39.2(16)**:

“*Contract*” means a binding written agreement between IFA and the recipient or subrecipient for the purpose of utilizing HOME funds to produce affordable housing or provide tenant-based rental assistance.

“*Multifamily housing*” means a structure with five or more dwelling units serving five or more family residences.

“*Period of affordability*” means the length of time a recipient or subrecipient must impose the rent or occupancy income restrictions on the units assisted by HOME funds as established by federal program requirements.

“*Project*” means a site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking. The project includes all the activities associated with the site and building. For tenant-based rental assistance, project means assistance to one or more families.

“Project completion” means that all construction work and title transfer (if applicable) are completed and the final draw of HOME funds has been disbursed. In addition:

1. For homebuyer projects, the beneficiary data have been entered into IDIS;
2. For rental projects, the units have all been initially occupied and the unit data have been entered into IDIS;
3. For tenant-based rental assistance projects, all HOME funds associated with the tenant-based rental assistance contract have been disbursed and beneficiary data have been entered into IDIS.

ITEM 4. Rescind the definitions of “Extremely low income” and “Gut rehabilitation” in rule **265—39.2(16)**.

ITEM 5. Amend rule **265—39.2(16)**, definitions of “Activity,” “CHDO,” “First-time home buyer,” “HOME,” “Low income,” “Program income,” “Reasonable and customary closing costs,” “Recaptured funds,” “Repayment,” “Single-family unit,” “Single parent,” “Subrecipient” and “Very low income,” as follows:

“Activity” means one or more specific housing activities, projects or programs assisted through the HOME ~~partnership~~ investment partnerships program.

“CHDO” means a community housing development organization, which is a nonprofit organization registered with the Iowa secretary of state and certified as such by IFA, pursuant to 24 CFR 92.2 (~~April 1, 1997~~). (September 16, 1996).

“First-time ~~home-buyer~~ homebuyer” or *“homebuyer”* means an individual or an individual and the individual’s spouse who have not owned a home during the three-year period before the purchase of a home with HOME assistance, except that an individual who is a displaced homemaker or single parent may not be excluded from consideration as a first-time ~~home-buyer~~ homebuyer on the basis that the individual, while a homemaker, owned a home with the individual’s spouse or resided in a home owned by a spouse; and an individual may not be excluded from consideration on the basis that the individual owns or owned, as a principal residence during the three-year period before purchase of a home with HOME assistance, a dwelling unit whose structure is (1) not permanently affixed to a permanent foundation in accordance with local or other applicable regulations or (2) not in compliance with state, local or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

“HOME” means the HOME Investment ~~Partnership~~ Partnerships Program, authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990.

“Low-income” means families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD. An individual does not qualify as a low-income family if the individual is enrolled as a student at an institution of higher education; is under 24 years of age; is not a veteran of the United States military; is unmarried; does not have a dependent child; and is not otherwise individually low-income or does not have parents who qualify as low-income.

“Program income” means funds generated by a recipient or subrecipient from the use of HOME funds gross income received by the participating jurisdiction, state recipient, or a subrecipient directly generated from the use of HOME funds or matching contributions.

“Reasonable and customary closing costs” means:

1. Seller’s reasonable and customary closing costs incurred include, but are not limited to: abstract updating, title search fees, ~~deed~~ document preparation fees, bringing current the seller’s county taxes, and real estate commission fees. Ineligible costs include, but are not limited to: lender discount points, allowances, inspection fees, and buyer closing costs.

2. Buyer’s reasonable and customary closing costs incurred include, but are not limited to: lender origination fees, credit report fees, fees for the title evidence or title opinion, fees for recording and filing of legal documents, attorneys’ fees, appraisal fees, and required inspection fees. Ineligible costs under this definition include, but are not limited to: prepayment of taxes, prepayment of insurance, ~~and~~ lender discount points and seller’s closing costs.

“Recaptured funds” means HOME funds which are recouped by the recipient when the housing unit assisted by the HOME ~~partnership~~ program ~~home-ownership~~ homebuyer funds does not continue to be

the principal residence of the assisted ~~home-buyer~~ homebuyer for the full period of affordability period required by federal statute.

“*Repayment*” means HOME funds which the recipient ~~must~~ shall repay to IFA because the funds were invested in a project or activity that is terminated before completion or were invested in a project or activity which failed to comply with federal program requirements.

“*Single-family unit housing*” means ~~one dwelling unit designated or constructed to serve only one household or family as the primary a one- to four-family residence. Single-family units include a detached single unit, condominium unit, cooperative unit, or combined, combination of~~ manufactured housing unit and lot, or manufactured housing lot.

“*Single parent*” means an individual who (1) is unmarried or is legally separated from a spouse; and (2) ~~is pregnant or has one or more minor children for~~ of whom the individual has custody or joint custody, or is pregnant.

“*Subrecipient*” means a public agency or nonprofit organization selected by IFA to administer all or a portion of an activity to produce affordable housing, provide downpayment assistance, or provide tenant-based rental assistance under the HOME program. ~~“Subrecipient” includes a state recipient pursuant to 24 CFR 92.201(b)(2).~~ A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient. The selection of a subrecipient by IFA is not subject to the procurement procedures and requirements under federal or state law. ~~Eligible activities to be administered by a subrecipient are tenant-based rental assistance and home ownership assistance without development subsidies.~~

“*Very low-income*” means families whose annual incomes do not exceed 50 percent of the median income for the area, as determined by HUD. An individual does not qualify as a very low-income family if the individual is enrolled as a student at an institution of higher education; is under 24 years of age; is not a veteran of the United States military; is unmarried; does not have a dependent child; and is not otherwise individually very low-income or does not have parents who qualify as very low-income.

ITEM 6. Amend rule 265—39.4(16) as follows:

265—39.4(16) Eligible activities and forms of assistance.

39.4(1) Eligible activities include transitional housing, tenant-based rental assistance, rental housing rehabilitation (including conversion and preservation), rental housing new construction, ~~home-ownership~~ homebuyer assistance that includes some form of direct subsidy to the ~~home-buyer~~ homebuyer (including development subsidies), and other housing-related activities as may be deemed appropriate by IFA. Assisted housing may be single-family housing or multifamily housing and may be designed for occupancy by ~~homeowners~~ homebuyers or tenants.

a. Assisted units shall ~~be affordable~~ meet the period of affordability as set forth in the federal program requirements.

(1) ~~For rental activities, all assisted units shall rent at the lesser of the area fair market rents or a rent that does not exceed 30 percent of 65 percent of the area median family income and, for projects with five or more units, 20 percent of the assisted units shall rent at the lesser of the fair market rent or a rent that does not exceed 30 percent of 50 percent of the area median family income. Assisted units shall remain affordable for a specified period: 20 years for newly constructed units; 15 years for rehabilitated units receiving over \$40,000 per unit in assistance; 10 years for rehabilitated units receiving \$15,000 to \$40,000 per unit in assistance; and 5 years for projects receiving less than \$15,000 per unit.~~

(2) ~~For tenant-based rental assistance, gross rents shall not exceed the jurisdiction’s applicable rent standard and shall be reasonable, based on rents charged for comparable, unassisted rental units.~~

(3) ~~For home-ownership homebuyer assistance, the initial purchase price for newly constructed units or the after rehabilitation value for rehabilitated units shall not exceed the single-family housing mortgage limits under Section 203(b) of the National Housing Act established in February 2008 as set forth by HUD’s most current maximum purchase price or after rehabilitation value limits. Assisted units shall remain affordable through recapture with net proceeds or resale provisions for a specified period: 5 years for projects receiving less than \$15,000 in assistance per unit; 10 years for projects receiving \$15,000 to \$40,000 in assistance per unit; and 15 years for projects receiving over \$40,000 in assistance per unit.~~

b. Assisted households shall meet income limits established by federal program requirements.

(1) For rental activities ~~for projects with 35 units or fewer~~, all assisted units shall be rented to low-income households; at initial occupancy, ~~90~~ 100 percent of the units shall be rented to households with incomes at or below 60 percent of the area's median family income and, for projects with ~~5~~ five or more units, 20 percent of the units shall be rented initially to very low-income households.

~~(2) For rental activities for projects with 36 units or more, all assisted units shall be rented to low-income households; at initial occupancy and throughout the HOME compliance period, 5 percent of all of the units, assisted or not assisted, in the project shall be rented to extremely low-income households, and the household shall not pay more than the rent established by HUD for extremely low-income households. At initial occupancy, the remainder of the HOME-assisted units shall be rented to households with incomes at or below 60 percent of the area's median family income and, for projects with 5 or more units, 20 percent of the units shall be rented initially to very low-income households.~~

~~(3)~~ (2) For tenant-based rental assistance, only households with incomes at or below 80 percent of the area median family income shall be assisted; 90 percent of the households served shall have incomes at or below 60 percent of the area's median family income.

(4) ~~(3)~~ For ~~home ownership~~ homebuyer assistance, only households with incomes at or below 80 percent of the area median family income shall be assisted.

c. No change.

d. Energy Star. All new rental construction must obtain Energy Star certification verified by an Energy Star rater.

39.4(2) Eligible forms of IFA assistance ~~to its recipients~~ include grants, interest-bearing loans, non-interest-bearing loans, interest subsidies, deferred payment loans, forgivable loans or other forms of assistance as may be approved by IFA.

39.4(3) For all single-family housing projects or activities assisting ~~homeowners or home buyers~~ homebuyers, the only form of HOME funds assistance to the end beneficiary is a forgivable loan.

39.4(4) Program income must be returned to IFA, ~~except in the following instances:~~

~~a. Subrecipients who receive program income shall reduce the HOME draw amount requested by the amount of program income received and must report to IFA the amount and source of the program income.~~

~~b. CHDOs that have an IFA-approved reuse plan and a written agreement that specifies that program income may be retained by the CHDO may use program income as CHDO proceeds.~~

39.4(5) A site including any building located thereon or project acquired or used for rental activities must be held in fee simple title by the recipient upon the disbursement of HOME funds and throughout the contract term with IFA. An installment contract or leasehold interest is not an acceptable recipient interest.

39.4(6) A site including any building located thereon or project acquired or used for homebuyer activities must be held in fee simple title by the recipient or homebuyer upon the disbursement of HOME funds and throughout the contract term with IFA. An installment contract or leasehold interest is not an acceptable recipient or homebuyer interest.

ITEM 7. Amend rule 265—39.5(16) as follows:

265—39.5(16) Application procedure.

39.5(1) HOME applications shall be reviewed at least annually. IFA reserves the right to withhold funding from the annual HOME competitive cycle to compensate for insufficient number of or quality of applications received, to ensure IFA meets its 15 percent CHDO set-aside from HOME funds, to add HOME funds to existing HOME awards within one year of the original award date, to reallocate deobligated or recaptured funds, and to fund projects that are consistent with the Rural Development Section 515 Preservation Demonstration Program as long as the program exists. In the event that funds are withheld from the annual competitive cycle, IFA will entertain additional applications, requests for proposals, or other forms of requests as deemed appropriate by IFA.

39.5(2) Joint applications. For applicants requesting funding from both the HOME ~~partnership~~ and ~~low-income housing tax credit (LIHTC)~~ LIHTC programs, the applicant may request application forms

and related materials from the LIHTC program at IFA. IFA will make a joint tax credit and HOME application available to a potential applicant. The applicant must submit to IFA the completed application with required HOME attachments by the deadline established in the application package. An applicant shall meet the requirements of the LIHTC and the HOME ~~program~~ programs to receive an award of HOME funds.

a. and b. No change.

c. An applicant for the HOME ~~partnership~~ program must meet the threshold requirements outlined in rule 265—39.6(16).

ITEM 8. Amend rule 265—39.6(16) as follows:

265—39.6(16) Application requirements. To be considered for HOME assistance, an application shall meet the following threshold criteria.

39.6(1) to 39.6(5) No change.

39.6(6) The application shall include ~~a certification~~ HOME certification that the applicant will comply with all applicable state and federal laws and regulations.

39.6(7) Maximum per-unit subsidy amount and subsidy layering. The following shall apply to all applications:

a. The total amount of HOME funds awarded on a per-unit basis may not exceed the per-unit dollar limitations established under Section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)(ii)) for elevator-type projects that apply to the area in which the housing is located.

b. IFA shall evaluate the project in accordance with subsidy layering guidelines adopted by HUD for this purpose.

c. The total amount of HOME funds awarded on a per-unit basis cannot exceed the pro rata or fair share of the total project costs when compared to a similar unit in a rental activity.

39.6(8) An application for a ~~home ownership~~ homebuyer assistance activity must indicate that recipients will require the beneficiaries of the applicant's ~~home ownership~~ homebuyer assistance activity to use a principal mortgage loan product that meets the following criteria:

a. With the exception of Habitat for Humanity principal mortgage loan products, the principal mortgage loan must be the only repayable loan in all individual ~~home ownership~~ homebuyer assistance projects.

b. The HOME assistance must be recorded in second lien position to the principal mortgage loan, if one exists. Recipients of HOME ~~home ownership~~ homebuyer assistance must maintain their assistance security agreements in the above-stated recording position throughout the applicable period of affordability and will not be allowed to subordinate the required recording position to any other form of assistance, such as home equity loans. A ~~home buyer~~ homebuyer search is required, and any collection/unpaid obligation that would become a judgment or any judgments must be paid in full prior to closing.

c. Any mortgage lending entity's principal mortgage loan products may be used provided they meet all of the following minimum requirements:

(1) The loan must be a fully amortizing, fixed-rate loan with rate not to exceed Fannie Mae 90-day yield + 0.125% or VA-published interest rate at par;

~~(2) Loan terms must include an 80 percent or higher loan-to-value ratio;~~

~~(3) (2)~~ No less than a 15-year, fully amortized, fixed-rate mortgage shall be used; and

~~(4) (3)~~ No adjustable rate mortgages or balloon payment types of mortgages will be allowed.

~~d. Recipients are encouraged but not required to have the beneficiaries of their home ownership assistance activity utilize a principal mortgage loan product offered by one of the following: Iowa finance authority, USDA Rural Development, Federal Home Loan Bank, HUD (including FHA and VA), Habitat for Humanity, Fannie Mae, or Freddie Mac.~~

39.6(9) An application for a ~~home ownership~~ homebuyer assistance activity must stipulate that ~~home ownership~~ homebuyer assistance is for first-time ~~home buyers~~ homebuyers only and that the assisted unit will remain as the assisted ~~home buyer's~~ homebuyer's principal residence throughout the required period of affordability, which must be verified annually by the subrecipient. If the assisted ~~home buyer~~

homebuyer fails to maintain the home as the principal residence during the period of affordability period, then all HOME funds associated with that address must be repaid to IFA.

39.6(10) An application for a ~~home ownership~~ homebuyer assistance activity must stipulate that all assisted units will be insured for at least the full value of the assisted unit, which must be verified annually by the subrecipient.

ITEM 9. Amend rule 265—39.7(16) as follows:

265—39.7(16) Application review criteria.

39.7(1) No change.

39.7(2) ~~A request for proposals shall be published by IFA when funds are available to award. The request for proposals shall specify the general criteria, need, impact and feasibility criteria, and the administrative criteria based on the activity proposed. Notice of the availability of funding and the funding round requirements will be placed on IFA's Web site at www.iowafinanceauthority.gov.~~

39.7(3) No change.

ITEM 10. Amend rule 265—39.8(16) as follows:

265—39.8(16) Allocation of funds.

39.8(1) IFA may retain ~~a portion of the amount~~ up to 10 percent of the state's annual HOME allocation from HUD for administrative costs associated with program implementation and operation.

39.8(2) No change.

39.8(3) IFA reserves the right to set aside a portion of the state's annual HOME allocation for rental housing activities ~~jointly funded with HOME and low income housing tax credits and for the Rural Development Section 515 Preservation Demonstration Program as long as the program exists.~~

39.8(4) No change.

39.8(5) IFA reserves the right to limit or exceed the amount of funds ~~that shall be awarded~~ set aside for any single activity type.

39.8(6) ~~Awards~~ An award shall be limited to no more than \$600,000 for ~~all single-family housing activities assisting home buyers~~ homebuyers. ~~Awards~~ An award shall be limited to no more than \$1,000,000 for ~~all multifamily housing rental activities.~~

39.8(7) Single-family per-unit subsidies.

a. The maximum per-unit subsidy for all single-family housing activities involving rehabilitation is \$37,500. The \$37,500 per-unit limit includes all applicable costs including, but not limited to, the hard costs of rehabilitation or the acquisition subsidy or both; ~~home ownership~~ homebuyer assistance activities; technical services costs, including lead hazard reduction carrying costs; lead hazard reduction costs; and temporary relocation. All rehabilitation hard costs funded with HOME funds are limited to \$24,999. All applicable technical services costs, including any lead hazard reduction carrying costs, are limited to \$4,500 per unit.

b. Assistance for single-family housing activities providing acquisition assistance for newly constructed housing (mortgage buy-down, downpayment or closing costs assistance or both, or combinations thereof) is limited to \$35,000 per unit, inclusive of all costs, including technical services costs.

c. ~~Assistance for single family activities providing development subsidies for newly constructed housing is limited to \$30,000 per unit. Development subsidies shall only be provided in addition to direct subsidies within home buyer assistance activities. When a development subsidy is used in combination with home buyer assistance activities, assistance is limited to \$35,000 per unit, inclusive of all costs.~~

39.8(8) ~~Multifamily per unit subsidies. The maximum per unit HOME funds subsidy for all multifamily activities is \$70,000 per unit including both newly constructed units and the rehabilitation of existing multifamily units, including conversion activities. The \$70,000 per unit multifamily limit includes all applicable costs including, but not limited to, hard costs of construction or rehabilitation; architectural design or technical services costs; lead hazard reduction or abatement costs; lead hazard reduction or abatement carrying costs; and temporary relocation.~~

~~39.8(9)~~ **39.8(8)** Subrecipients shall identify general administrative costs in the HOME funds application. IFA reserves the right to negotiate the amount of funds provided for general administration, but in no case shall the amount for general administration exceed 10 percent of a total HOME funds award. Only local government and nonprofit recipients are eligible for general administrative funds. Subrecipients must certify that all general administrative costs reimbursed by HOME funds are separate from and not reimbursed by HOME funds as technical services costs.

~~39.8(10)~~ **39.8(9)** IFA reserves the right to negotiate the amount and terms of a HOME funds award.

~~39.8(11)~~ **39.8(10)** IFA reserves the right to make award decisions such that the state maintains the required level of local match to HOME funds.

ITEM 11. Amend rule 265—39.9(16) as follows:

265—39.9(16) Administration of awards. Applicants selected to receive HOME funds awards shall be notified by letter from the IFA executive director or ~~IFA affordable rental production division director designee.~~

39.9(1) and **39.9(2)** No change.

39.9(3) *Local administrative and technical services contracts.*

a. Subrecipients awarded funds to perform the general administrative functions for ~~home ownership~~ homebuyer assistance and tenant-based rental assistance activities shall enter into a contract ~~for services~~ with IFA.

b. No change.

39.9(4) *Requests for funds.* Recipients shall submit requests for funds in the manner and on forms prescribed by IFA. Individual requests for funds shall be made in whole dollar amounts equal to or greater than \$500 per request, except for the final draw of funds. Adequate and itemized documentation supporting the amount of funds requested ~~must~~ shall be provided to and approved by IFA prior to release of funds. ~~For rental projects, IFA shall may retain up to 10 percent of the total HOME funds for development subsidies from payment to the recipient until award for up to 30 days after the recipient satisfactorily completes the work, all and full occupancy of the HOME-assisted units is attained have been initially occupied, and a final draw and completion form has been submitted to and approved by IFA. At IFA's discretion, For homebuyer projects, IFA may retain up to 5 percent of the total HOME funds for home buyer and tenant-based rental assistance activities may be retained from payment to the subrecipient for program or administrative costs until the final closeout documents are submitted to and approved by IFA award until the subrecipient satisfactorily completes the work and the final draw and completion form for the last activity in the project has been submitted to and approved by IFA.~~

39.9(5) *Record keeping and retention.*

a. HOME-funded projects. For HOME-funded projects, 24 CFR 92.508 provides the record retention requirements. ~~All records pertaining to each fiscal year of HOME funds must be retained for the most recent five-year period, except as provided in~~ Recipients and subrecipients shall retain the following:

(1) For rental housing projects, records ~~may~~ shall be retained for five years after the project completion date, except that records of individual tenant income verifications, project rents and project inspections ~~must~~ shall be retained for the most recent five-year period, until five years after the period of affordability period terminates;

(2) For ~~home ownership~~ homebuyer housing projects, records ~~may~~ shall be retained for five years after the project completion date, except for documents imposing recapture/resale restrictions which must be retained for five years after the period of affordability period terminates;

(3) For tenant-based rental assistance projects, records ~~must~~ shall be retained for five years after the period of rental assistance terminates project completion date;

~~(4) Written agreements must be retained for five years after the agreement terminates;~~

~~(5) (4)~~ For records covering displacements and acquisitions, see 24 CFR 92.508;

~~(6) (5)~~ For records relating to litigation, see 24 CFR 92.508.

b. No change.

39.9(6) No change.

39.9(7) *Amendments to contracts.* Any substantive change to a contract shall be considered an amendment. Changes include time extensions, budget revisions and significant alterations of the funded activities affecting the scope, location, objectives or scale of the approved activity. Amendments shall be requested in writing by the CEO of the recipient and are not considered valid until approved in writing by IFA following the procedure specified in the contract between the recipient and IFA.

~~**39.9(8) *Work completion closeout.***~~ Upon the contract expiration date or work completion date, as applicable, and IFA's receipt of final draw and completion documentation, IFA shall initiate closeout procedures in IDIS. Recipients shall comply with applicable audit requirements, performance reports and Section 3 requirements and provide other required documents described in the HOME funds application, the contract, the IFA HOME Program Guide, and any other IFA HOME partnership program policies and procedures.

~~**39.9(9)**~~ **39.9(8) *Compliance with federal, state and local laws and regulations.*** Recipients shall comply with these rules, with any provisions of the Iowa Code governing activities performed under this program and with applicable federal, state and local regulations.

~~**39.9(10)**~~ **39.9(9) *Remedies for noncompliance.*** At any time, IFA may, for cause, find that a recipient is not in compliance with the requirements of this program. At IFA's discretion, remedies for noncompliance may include, but not be limited to, penalties up to and including the return of program funds to IFA. Reasons for a finding of noncompliance include the recipient's use of funds for activities not described in the contract, the recipient's failure to complete funded activities in a timely manner, the recipient's failure to comply with applicable state or local rules or regulations or the lack of a continuing capacity of the recipient to carry out the approved activities in a timely manner.

~~**39.9(11)**~~ **39.9(10) *Appeals process for findings of noncompliance.*** Appeals will be entertained in instances where it is alleged that IFA staff participated in a decision which was unreasonable, arbitrary, or capricious or otherwise beyond the authority delegated to IFA. Appeals should be addressed to the executive director of the affordable rental production division IFA. Appeals shall be in writing and submitted to IFA within 15 days of receipt of the finding of noncompliance. The appeal shall include reasons why the decision should be reconsidered. IFA's executive director will make the final decision on all appeals.